

STATE OF NORTH DAKOTA
COUNTY OF BURLEIGH

BEFORE THE
SECURITIES COMMISSIONER

In the Matter of Centex Securities,)
Inc., f/k/a La Jolla Securities)
Corporation, Bruce A. Biddick,)
and their Officers, Directors,)
Agents, and Employees)
)
)
)
Respondent.)

ORDER

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FINDINGS OF FACT

The North Dakota Securities Commissioner has conducted an investigation into the activities of Centex Securities, Incorporated f/k/a La Jolla Securities (Centex) and has made the following findings.

1. On April 15, 1993, Centex Securities was the subject of a Cease and Desist Order issued by the State of Minnesota wherein it was alleged that Centex engaged in securities business while it was not registered. Centex was assessed a civil penalty of \$3500 and investigative costs of \$300 and was ordered to make a rescission offer to those individuals who were solicited illegally.
2. On April 29, 1993 Centex and Bruce Biddick were censured and fined \$11,475 pursuant to a Letter of Acceptance, Waiver and Consent by the NASD. Centex and Bruce Biddick sold shares of a designated security in 18 transactions in contravention of sec rule 15c2-6 in that it failed to approve nine customer accounts prior to each of the 18 transactions in such designated securities and failed to receive from each person a written agreement setting forth the identity and quantity of the designated security to be purchased.
3. On August 6, 1993, Centex and Bruce Biddick settled a customer complaint alleging misrepresentation and unprofessional behavior. The settlement amount in this case was \$4,000.
4. Before September 2, 1993, Centex filed false and misleading statements in their form B/D with the office of the North Dakota Securities Commissioner in violation of North Dakota law and allowed the transfer of a customer account in violation of North Dakota law. Registration in North Dakota was allowed as part of a consent order whereby Centex agreed to make payment to the North Dakota Securities Commissioner the sum of \$5,000 for those violations of North Dakota law.

5. On July 11, 1994, Centex and Bruce Biddick were found liable to a client for the sum of \$4500 for misrepresentation, omission of facts, unsuitability and account related negligence.
6. On March 10, 1995, Centex and Bruce Biddick were found liable to a client for the sum of \$7650 for misrepresentation and unsuitability.
7. On October 11, 1995, Bruce Biddick applied for registration as a salesman with the North Dakota Securities Commissioner. The Salesman Registration of Mr. Biddick has been pending since that time.
8. On May 24, 1996, Centex was the subject of a Consent Order in Massachusetts wherein it was alleged that Centex engaged in securities transactions while it was not registered as a broker, its agents engaged in securities transactions in Massachusetts while they were not registered as salesmen, and Centex failed to properly supervise its employees as evidenced by their illegal activities. Pursuant to that Consent Order, Centex agreed to pay back registration fees of \$1050.
9. On August 7, 1996, Centex and Bruce Biddick settled a customer complaint for the sum of \$20,000 alleging breach of fiduciary duty, misrepresentation and failure to supervise.
10. On October 22, 1996, Centex and Bruce Biddick were complained against by a customer alleging breach of fiduciary duty and account related breach of contract. That complaint is pending with the NASD.
11. On March 18, 1997, Centex, Bruce Biddick, and its salesman, Daniel Wood entered into a Consent Order with the North Dakota Securities Commissioner because of the illegal sales activities of Daniel Wood, a salesman for Centex, who sold securities to Cindy and Terry Severson, residents of North Dakota, while he was not registered as a salesman as required by North Dakota law and that Centex failed to properly supervise its salesman as required by North Dakota law and the NASD Rules of Fair Practice. In that Order, Respondents were ordered to make payment to the Office of the North Dakota Securities Commissioner a civil penalty of \$5,000 and was to make a rescission offer to Cindy and Terry Severson, and if the rescission offer is accepted by the Seversons, "payment shall be made within 10 days of the receipt of the acceptance".
12. On April 4, 1997, Centex made payment of \$5000 to this office on April 4 and prepared a rescission letter for Cindy and Terry Severson which was dated March 31, 1997. The Seversons accepted the Rescission offer and it was received by Centex Securities on April 10, 1997. Centex has not made the full payment to the Seversons, and they have been in violation of the March 18 order since April 20. On May 8, 1997, Centex made payment to the Seversons in the amount of \$7,728.67 (which was the value of her portfolio at the time of liquidation) which leaves an unpaid balance of \$22,707.46. Respondents continue to be in violation of the Consent Order of March 18, 1997.

13. On April 21, 1997, Centex and Bruce Biddick were complained against by a customer alleging breach of fiduciary duty and account related breach of contract. That complaint is pending with the NASD.

CONCLUSIONS OF LAW

Based on the facts as stated above, the Commissioner makes the following conclusions of law.

1. The facts stated above are sufficient cause to revoke the registration of Centex as a broker dealer in North Dakota pursuant to NDCC §10-04-11.
2. The facts stated above are sufficient cause to deny the salesman registration of Bruce Biddick as a salesman in North Dakota pursuant to NDCC 10-04-11.
3. Respondents violated and are in current violation of the Consent Order dated March 18, 1997 by not paying the rescission to Cindy and Terry Severson as required by that order. The Commissioner has the authority to impose a \$10,000 fine on each of the respondents for this violation.

ORDER

Now Therefore, the Commissioner hereby orders the following:

1. That the Commissioner hereby revokes the dealer registration of Centex Securities, pursuant to the Authority under NDCC §10-04-11(1)(a, c, f, m).
2. The Commissioner hereby orders that Respondent, Bruce Biddick, and Respondent, Centex, shall make payment, within 10 days of the execution of this order, of \$10,000 in civil penalties to the Office of the Securities Commissioner for their violations of the Consent Order dated March 18, 1997.
3. The Commissioner hereby orders that Respondents cease to violate the Consent Order dated March 18, 1997. Nothing herein revokes or alters the obligations of Respondents as contained in the Consent Order dated March 18, 1997.
4. Respondents are to Cease and Desist from all securities activities in North Dakota until such time as they are properly registered with the State of North Dakota.

NOTICE OF OPPORTUNITY FOR HEARING

You are notified that pursuant to NDCC §10-04-11 NDCC §10-04-12 and NDCC §10-04-16 you may request a hearing before the Securities Commissioner if such a request is made in writing within ten (10) days after the receipt of this order. Such writing must contain all specific objections to the Findings of Fact and Conclusions of Law as contained in this order. Respondents should also state, in

specific detail, any legal theories upon which any objections may be based. The Respondents have the right to be represented by legal counsel at the hearing.

Dated at Bismarck, North Dakota, on May 16, 1997.



Cal Hoovestol

CAL HOOVESTOL
SECURITIES COMMISSIONER
State Capitol-5th Floor
Bismarck, ND 58505-0510
(701) 328-2910

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AFFIDAVIT OF MAILING

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I, Diane Lillis, being first duly sworn, state that I am a citizen of the United States over the age of twenty-one years and not a party to or interested in the above-entitled proceeding.

On, May 16, 1997, I deposited in the Central Mailing Bureau of the United States Post Office Department in the State Capitol in Bismarck, North Dakota, true and correct copies of the following documents:

ORDER

A copy of the above document was securely enclosed in an envelope with postage prepaid, sent via certified mail, return receipt requested, and addressed to:

Bruce Biddick
Centex Securities, Inc.
1020 Prospect Street, Ste. 200
La Jolla, CA 92037

To the best of my knowledge, information, and belief, the address given above is the actual post office address of the party intended to be served.



Diane Lillis

Subscribed and sworn to before me on May 16, 1997.



Diane Kambeitz, Notary Public
Burleigh County, North Dakota
Expires March 10, 2000